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SUBJECT: LESOTHO OCTOBER 2007 ECONOMIC ROUNDUP: JOB LOSSES, SUBSIDIES, AND FIGHTING CORRUPTION

REF: Maseru 589

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October Issues:

- Textile Industry Loses 1,800 Jobs
- GOL Spends US\$1.5 Million to Subsidize Staple Foods
- U.S. Embassy Supports National Nutrition Survey
- Anti-Corruption Groups Join Forces

Textile Industry Loses 1,800 Jobs

¶1. In October, representatives of Lesotho's textile industry acknowledged the retrenchment of 1,800 workers from three major factories. Lesotho's textile industry faces increasing challenges due to the rise in global garment and textile competition following the recent removal of many quotas on Chinese products. The president of the Factory Allied Workers Union indicated that Lesotho's exports currently do not compete well with Chinese products in terms of quality, price, or timeliness of delivery to the United States market. He further noted that labor rates in Lesotho are higher than in China, and that China's textile industry is technologically more advanced than the industry in Lesotho. Under AGOA, Lesotho has had considerable success in accessing the U.S. market. Despite the recent decline in employment, Lesotho's garment and textile sectors employ some 40,000 workers.

GOL Spends US\$1.5 Million to Subsidize Staple Foods

¶2. In response to rising food prices caused by drought conditions, the Government of Lesotho has embarked on a major

food subsidy program. To counter food inflation (reftel), especially with regard to maize meal, milk, and grains, the government has provided approximately US\$1.5 million (M10 million) to subsidize grains and milk prices nationally. Government subsidies have lowered the price of 80 kilograms of maize meal from US\$34 to US\$26. Furthermore, all value added taxes have been dropped on subsidized products so long as they are not exported. The subsidies are set to expire in March 2008.

¶3. The price of milk now averages 60% higher than one year ago, and the price of maize increased by 50% over last year. This situation is anticipated to last throughout the 2007/2008 harvest period. In addition to subsidies, the Government of Lesotho is attempting to deal with the situation through the acceptance of international food aid donations. In addition to the effect of drought conditions, increasing international oil prices have also driven up food prices by raising transportation costs.

U.S. Embassy Supports National Nutrition Survey

¶4. Following Embassy Maseru's declaration of a food insecurity disaster in July 2007, USAID will provide financial support to facilitate a National Nutrition Survey in Lesotho. The survey aims to glean nutritional data necessary for the Government of Lesotho (GOL) and the international donor community to adequately respond to the current food crisis. The study's primary objective is to evaluate the malnutrition rate of children between the ages of 6 and 59 months, providing a

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baseline for a new nutrition surveillance system in Lesotho. The survey will also retrospectively calculate the mortality rate in Lesotho's population under five years of age. The survey results will identify the nation's most vulnerable communities and households and the most important risk factors threatening their nutritional security. The survey is a joint effort between the GOL (through the Disaster Management Authority) and development partners including World Vision, UNICEF, Action Against Hunger, and the USG.

Anti-Corruption Groups Join Forces

¶5. On October 11, the Chief Executive Officer of the Lesotho Institute of Accountants (LIA) and the Director General of the Directorate on Corruption and Economic Offenses (DCEO) signed a Memorandum of Understanding in Maseru to create a framework for cooperation in their mutual fight against corruption. The two bodies will coordinate their work against corruption in both the public and private sectors. The MOU stipulates that DCEO will outsource specialized assignments, such as the auditing of firms and individual accountants, to LIA members when appropriate. DCEO committed to assisting the LIA to provide continuing professional training to its members so that they can achieve world investigative standards on their cooperative work with DCEO.

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